



Joint Physical Inventory Working Group

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Inventory Control Effectiveness Report (ICE)

- Proposal: The ICE Report be revised/updated from its current format. Goal is to make the data easier to understand and analyze.
- Reference: DOD 4000.25-2-M, Chapter 7, C7.9.2
- Recommendation:
 - Delete Gross Inventory Adjustment Rate (GIAR)
 - Delete Gross Monetary Adjustment Rate (GMAR)
 - Delete Monetary Value of Location Reconciliation
 - Delete Monetary Value of End of Day Processing

Note: Absolute Adjustment Rate contained in current format



Accuracy Goal for Controlled/Sensitive Items

- Proposal: Change/Update the statistical sampling technique assurance of 85% accuracy level to 95%.
- Reference: DOD 4000.25-2-M, Chapter 7
- C7.2.10.2.3. **Controlled inventory items not subject to annual complete physical** inventory must be subjected to annual random statistical sampling. Acceptable statistical sampling techniques are widely prescribed and may be used so long as every item included in the population has an equal probability of being selected in the sample. The statistical sampling technique must provide reasonable assurance (as a minimum) that the property accountability records are accurate with a 95 percent level of confidence, accuracy level of 85 percent, and a maximum margin of error of 2 percent. If the sample inventory results do not satisfy the above criteria, complete physical inventory of the population from which the sample was selected, will be performed.
- Recommendation: Change MILSTRAP goal of 85% to 95%



Inventory Prioritization Model

- Are Services working the Inventory Prioritization Model?
- Reference: DOD 4000.25-2-M, Chapter 7
- C7.2.10.3.5. Owners may select items for inventory based on the owner physical inventory prioritization methodology or model which considers characteristics identified by each Service based on Service priorities, readiness drivers; etc. The owner and depot would negotiate projected workload at least once annually (prior to each Fiscal Year). The owner would provide the prioritization methodology/model results to the distribution depot annually by submission of a DI Code DJA transaction with a Type Physical Inventory Code I.[1] Items selected for inventory based on the owner priority selection system shall not be given priority over items in subparagraphs C7.2.10.1., C7.2.10.2, C7.2.10.3.1, C7.2.10.3.2, and C7.2.10.3.3.
- [1] The Distribution Standard System is capable of accepting DI Code DJA with Type of Physical Inventory/Transaction History Code I, however the Services have not yet implemented this capability. Service Supply PRC representatives are to notify DLMSO when implementation date is known per Approved DLMS Change (ADC) 33 (available at <http://www.dla.mil/j-6/dlmso/Changes.>)

- Recommendation: Eliminate Footnote from reference



Storage Item Data Correction/Change (DZBs)

- Proposal: Suspend DZB Transactions sent to Distribution Standard System (DSS)
- Reference: DOD 4000.25-2-M, Chapter 10
- The DZB is a storage item data correction transaction used by the ICPs & DSCs to inform DSS when an item data discrepancy is identified. These transactions are intended to make changes in DSS to match the Owner/Manager records.
- The Federal Logistics Information System (FLIS) is the DOD mandated repository for all item data characteristics. All Item Managers and using Services are required to send any item data changes or updates through FLIS. DSS maintains direct connectivity to FLIS, DSS records are matched to FLIS. DSS only accepts cataloging data from the Lead or Integrated Item Manager designated as the Primary Inventory Control Activity (PICA). DSS automatically reconciles with FLIS every 90 days for added assurance the item data in DSS matches FLIS and to comply with DLAs annual reconciliation policy.



Storage Item Data Correction/Change (DZBs) (continued)

- DZBs are generated systematically by the managers when a mismatch in item data is identified. When the DZB transaction is received by DSS no changes are made immediately. Instead, an inquiry, LTI transaction is generated and sent to FLIS. FLIS responds by returning whatever cataloging data is recorded its database. If DSS records match FLIS, no changes are made to DSS regardless of what the DZB states. If DSS does not match FLIS the change will be created in DSS immediately to match the data recorded in FLIS.
- Recommendation: Request the Services and DLA ICPs stop generating and sending DZB transactions for item data discrepancies. Instead, they're records should be reconciled with data stored in FLIS. If a disparity exists, the Services would then correct they're system records to match FLIS, request the PICA make a change through FLIS. Changes will then be passed to and updated in DSS.



NIIN Status Codes 4 & 8 Disposal Authority

- Proposal: Policy be developed to allow distribution centers the authority to dispose of cancelled stock at time of receipt.
- Reference: DOD 4100.39-M, Volume 10, Table 18, and MILSTRAP chapter 4 (Para C4-5; Materiel Receipts (Other Than Procurement Instrument Source))
- NIIN status codes 4 and 8 identify items that are either cancelled without replacement or cancelled – Inactive. Field activities do not always have the means to dispose of these items, the material is instead sent to a distribution center. The Services and DLA ICPs are under the assumption the distribution centers would dispose of these cancelled items. The DDC maintains the custodial record and does not have the authority to dispose of cancelled stock. The material is receipted into stock and stored awaiting disposal instructions from the Owners/Managers. Customers continue to pay the storage cost for cancelled material.
- This material is receipted into stock without Pre-Positioned Material Receipt Documentation (PMRD). The receipt transaction and consequent Quantitative Location Reconciliation (QLR) processes continue to generate DZG transaction rejects to the distribution centers with reject advice code “AD” (Stock or Part number



NIIN Status Codes 4 & 8 Disposal Authority (continued)

- This material is no longer recognized as active items in the ICPs operating systems.
- Since the material is no longer listed in the ICPs operating system the Owner/ Managers cannot generate A5J disposal transactions.
- DSS has the capability to generate disposal transactions, however written authority is required beforehand.
- Recommendation: Authority be granted to DDC to systematically generate disposal actions for cancelled stock at time of receipt.



Controlled Inventory Item Code (CIIC) for “RADIOACTIVE” Material

- Proposal: Establish a CIIC for Radioactive Material
- Reference: DOD 4000.25-2-M, Chapter 7
- The Defense Distribution Center (DDC) has proposed a Controlled Inventory Item code (CIIC) be established for radioactive material. Currently the only way to identify, store and inventory radioactive material is by Hazardous Characteristics Code (HCC). The HCC is assigned by the Hazardous Materials Information System (HMIRS). Item Managers may assign like items the same NSN that may or may not be radioactive. Depending on the manufacturer's configurations, an item that is assigned a radioactive HCC one time may not be assigned a radioactive HCC from a different manufacturer. Ultimately not every radioactive item is assigned a radioactive HCC and other non-radioactive items are assigned a radioactive HCC. Currently the only true repository of radioactive items stored by DDC depots is a spreadsheet that is manually updated by the DDC Safety Office.



Controlled Inventory Item Code (CIIC) for “RADIOACTIVE” Material (continued)

- Radioactive material requires conforming storage as prescribed in DLA 5710.1. Conforming storage is driven in Distribution Standard System (DSS) by the CIIC.
- Per MILSTRAP Chapter 7, controlled items require a 100% wall-to-wall inventory once annually. Radioactive items are considered controlled items. Current DSS functionality allows the site to inventory by various criteria to include NSN, warehouse location and CIIC. HCC is not one of the criteria recognized or used by this functionality.
- The benefit of an assigned CIIC for radioactive items is that once an NSN has been given a radioactive CIIC it should not be allowed to be changed due to reconfigurations from a manufacturer. All reconfigurations will require a new NSN to be assigned.
- Recommendation: JPIWG members support the establishment of a Controlled Inventory Item Code for Radioactive Material



Chief Financial Officer's Act Compliance

- Services Plan to meet CFO requirement
 - DoDIG reviewed the Army and Air Force Inventory Valuation Sampling Plan
 - Still waiting on a plan from the Navy/Marine Corp
- Draft Proposal in-work. Will be available for review by Services early 07
 - Require Services raw data to fully assess their plan
 - Financial requirements is separate from a logistical sample and will require reimbursement
 - DLA will use data in Services plan to provide a rough cost estimate